

Memorandum

To: Panel Members Date: September 26, 2001

From: Creighton Chan, Manager
Peter DeMauro, General Counsel File: men's wearhouse130agr

Subject: One-Step Agreement for **The Men's Wearhouse, Inc.**
www.tmw.com

CONTRACTOR:

- Training Project Profile: SET-Workers Earning at Least State Avg Hrly Wage
Retraining: companies with out-of-state competition
- Legislative Priorities: Moving to a High Performance Workplace
- Type of Industry: Retail Clothing
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 6,214
 - In California: 1,248
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union
representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$516,160
- Substantial Contribution: \$0
- Total ETP Funding: \$516,160
- In-Kind Contribution: \$2,300,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Statewide
- Duration of Agreement: 24 months

TRAINING PLAN:

- | | | |
|--|---|--------------------|
| • Average Cost Trainee: | New Hire: \$0 | Retrainee: \$1,692 |
| • Type(s) of Training: | Computer Skills, and Continuous Improvement Skills | |
| • Number to be retained: | New Hire: 0 | Retrainee: 305 |
| • Range of hours: | 80-190 | |
| • Range of hourly wages: | \$11.99 to \$47.28 | |
| • Prevalent hourly wage: | \$22.54 | |
| • Weighted average hourly wage: | \$23.10 | |
| • Health benefits used to meet ETP minimum wage: | Yes. Health benefits of \$1.14 will be added to meet the ETP minimum wage of \$11.54 for Alameda County and to also meet the SET minimum wage of \$19.24 statewide. | |

SUBCONTRACTORS:

Verilogix, Torrance, California \$61,939 for project administration.

THIRD PARTY SERVICES:

Verilogix, Torrance, California assisted the company with the development of this project at no cost to the contractor.

NARRATIVE:

The Men's Wearhouse was founded in 1973 by George Zimmer. The company started as a one-store retail, family-owned business specializing in men's suits and sport coats. Since its inception, the company has grown to over 600 stores nationwide and in Canada, with over 80 stores located in California. The company employs 6,214 worldwide with 1,248 in California working at the corporate headquarters in Fremont and in its California retail stores.

The Men's Wearhouse proposes to fund training for the following three groupings, Corporate Headquarters, Distribution Center, and frontline workers at retail stores. The Corporate Headquarters and Distribution Center are deemed eligible under Title 22, CCR Section 4416(d)(1) because they represent the Corporate Headquarters of a company that does significant business outside of California and the facilities which provide support services to the company's stores located outside of California. Training for frontline workers in retail stores will be funded from SET funding for workers whose wages meet 100 percent of the state average hourly wage as mandated by Section 10214.5(a)(b) of the California Unemployment Insurance Code.

NARRATIVE (continued):

The company has experienced rapid and successful growth over the past several years. This growth has resulted in the company having to develop ways of providing internal and external customers with efficient and consistent services.

The company has identified through customer surveys that, in order to meet customers' expectations relating to the service and products provided by the Men's Wearhouse, all store and corporate employees must first be able to better communicate and work in teams. All departments must have an understanding of and a voice in the decision making process.

The company has determined that in order to remain competitive in the retail industry, it must move towards a high performance workplace where all employees work in a team environment. Frontline store employees who identify a problem in the process must be able to work with headquarter staff to discuss problems and implement solutions. Corporate staff must have a full understanding of the store employees' role as frontline workers who deal directly with the customer, the person who must be completely satisfied.

The surveys also show that people prefer one-stop shopping, where a person can go to one location and purchase an entire wardrobe. This preferred method of shopping requires each Men's Wearhouse store to have merchandise that appropriately meets the needs of the customers in the store's geographic location. In an effort to meet customers' preferences the Men's Wearhouse will implement a new software system known as Point of Sales (POS). This system will integrate information throughout the company from Corporate Headquarters to retail stores to Distribution Centers. The information obtained will provide the demographics of the stores' location, clientele's buying trends, and stores' inventory. Employees will be able to enter and access information that pertains to the company's merchandise, and customers' preferences, allowing for a product and service tailored to the needs of the customers. The POS will also incorporate email as a form of interdepartmental communication as well as Internet capabilities.

With the implementation of the POS system, company-wide computer skills training is needed for employees to learn how to operate the system. It is essential for frontline retail store employees to acquire these skills because they are dealing directly with the customers and can ultimately provide accurate buyer information. Corporate staff will use this data to make company-merchandising decisions, such as product purchasing, inventory levels, and retail store distributions. Additionally, corporate staff will require training in software systems as appropriate for specific department functions.

The Men's Wearhouse is requesting ETP funds to assist the company in providing classroom and SOST training in Computer Skills, and Continuous Improvement Skills to its frontline retail store employees and corporate headquarters staff. In keeping with the move to a high performance workplace, the company will provide Continuous Improvement Skills training to the remaining employees, not included in this proposal at the company's own cost.

The proposed training will be provided by in-house trainers at the corporate headquarters in Fremont and at 87 retail stores located throughout the state of California. Verilogix will provide project administration.

Supplemental Nature of Training

The Men's Wearhouse currently provides classroom training to its corporate headquarter's staff, retail store employees and warehouse workers in company orientation such as corporate history and culture; selling techniques; merchandising men's clothing; customer service skills; basic computer skills as appropriate to the departments functions; safety; CPR; and First Aid. The company has additionally

NARRATIVE (continued):

provided a brief overview to the POS system. Frontline and corporate employees have received a basic overview of the team workplace concept, but this training has only been delivered in the form of on-the-job training.

The training proposed in this project is different from that which the company has provided. Previous training in Continuous Improvement Skills and the POS system has been a general overview; the proposed training will build upon the basic theory and principles of TQM, basic computer skills and the POS system that was provided by the company. This training will provide the company's employees the skills required to operate the new software system and to work in teams. This training has not been provided to the company's workforce.

The company will continue to provide its on-going training at an estimated cost of \$2 million for the two years following the ETP Agreement.

In-Kind Contribution

The company has estimated that training related cost not covered by ETP funding will be approximately \$2,300,000. The company estimates that it will contribute approximately \$47,500 per month for the 21 months of the ETP funded training totaling to \$1,000,000. This amount reflects expenses for training materials, training facilities, administration, and travel expenses for trainers and trainees. The remaining \$1,300,000 reflects wages paid to employees while in training.

COMMENTS:

The Men's Wearhouse has provided data to support that Store Managers meet the definition of Frontline Workers as defined under Title 22 California Code of Regulations, Section 4400(ee)(3) "an individual who is exempt from overtime under state or federal law and not covered by a collective bargaining agreement if his or her primary job responsibility is directly producing or delivering goods or services." The company has supplied information to show that Store Managers spend 80%-85% of their work hours providing direct customer services.

PROPOSED ACTION:

Staff recommends that the Panel approve this Agreement if funds are available and the projects meets Panel priorities. This recommendation is based on the Men's Wearhouse' stated need to provide employees with the skills necessary to meet its customers' needs and remain viable in the California retail industry.

Training Data									(c) Payment Schedule				
1	2	3	4	5 (a) Cls/Lab Video- conf. Hours	6 CBT Hours	7 (b) SOST Hours	8 Cost Per Trainee	9 Total SOST Trainer Hrs.	10 Hrs. to Enroll/ Pay 1 Enroll	11 Pay 2 Compl	12 Pay 3 Hired	13 Pay 4 After 90 Days	14 (d) Wage After Reten- tion
Job #	Occupations	Type of Training	No. Retain										

SET Frontline Workers Only: Wardrobe Consultants, Assistant Store Managers, Store													
1	Managers	Direct-Employer, Retrainees	50	60		60	\$1,260	300	8	\$ 315.00	\$ 630.00	\$ -	\$ 315.00
Menu: Trainees will receive one or more of the following:													
683		Computer Skills		60		60		300					
Continuous Improvement Skills													
*\$19.37-\$37.35													

SET Frontline Workers Only: Wardrobe Consultants, Assistant Store Managers, Store													
2	Managers	Direct-Employer, Retrainees	42	80		40	\$1,360	168	8	\$ 340.00	\$ 680.00	\$ -	\$ 340.00
Menu: Trainees will receive one or more of the following:													
683		Computer Skills		80		40		168					
Continuous Improvement Skills													
*\$19.37-\$37.35													

(a)Advanced Technology must be provided as class/lab.
(b)Figures for calculation purpose only.
(c)For Welfare to Work: Pay 2=50% Completion hrs. Pay 3=100% Completion hrs.
(d)Wages by occupation on Comment Page.

Training Data									(c) Payment Schedule				
1	2	3	4	5 (a) Cls/Lab Video- conf. Hours	6 CBT Hours	7 (b) SOST Hours	8 Cost Per Trainee	9 Total SOST Trainer Hrs.	10 Hrs. to Enroll/ Pay 1 Enroll	11 Pay 2 Compl	12 Pay 3 Hired	13 Pay 4 After 90 Days	14 (d) Wage After Reten- tion
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	SET Frontline Workers Only: Wardrobe Consultants, Assistant Store Managers, Store Managers	Direct-Employer, Retrainees <i>Menu: Trainees will receive one or more of the following: Computer Skills Continuous Improvement Skills</i>	75	140			\$1,820		8	\$ 455.00	\$ 910.00	\$ -	\$ 455.00	*\$19.37- \$37.35
683				140										

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Job #	Occupations	Type of Training	No. Retain										

Corporate Headquarters:
Customer Service Reps.,
Content Specialists, Lease
Administrators, Field
Operations Trainers,
Events Coordinators,
Admin. Assts., Staff-Corp
Accountants,
Merchandisers Managers,
Front Line District
Managers, Internet
Advertising Specialists,
Visual Merchandisers,
Regional Tailors, Video
Specialists, Personnel
Admin., Benefits Admin.,
Employee Relations
Reps., Direct Sourcing, E-
Commerce Specialist,
Buyers, Warehouse

4	Workers	Direct-Employer, Retrainees	12	40		40	\$840	48	8	\$ 210.00	\$ 420.00	\$ -	\$ 210.00	*\$11.99- \$44.04
687		<i>Menu: Trainees will receive one or more of the following: Computer Skills Continuous Improvement Skills</i>		40		40		48						

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Specialists, Personnel
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Reps., Direct Sourcing, E-
Commerce Specialist,
Buyers, Warehouse

5	Workers	Direct-Employer, Retrainees	50	80		80	\$1,680	400	8	\$ 420.00	\$ 840.00	\$ -	\$ 420.00	*\$11.99- \$44.04
687		<i>Menu: Trainees will receive one or more of the following: Computer Skills Continuous Improvement Skills</i>		80		80		400						

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Reps., Direct Sourcing, E-
Commerce Specialist,
Buyers, Warehouse

6	Workers	Direct-Employer, Retrainees	32	110		80	\$2,070	256	8	\$ 517.50	\$1,035.00	\$ -	\$ 517.50	*\$11.99- \$44.04
687		<i>Menu: Trainees will receive one or more of the following: Computer Skills Continuous Improvement Skills</i>		110		80		256						

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Specialists, Personnel
Admin., Benefits Admin.,
Employee Relations
Reps., Direct Sourcing, E-
Commerce Specialist,
Buyers, Warehouse

7	Workers	Direct-Employer, Retrainees	22	130		60	\$2,170	132	8	\$ 542.50	\$1,085.00	\$ -	\$ 542.50	*\$11.99- \$44.04
687		<i>Menu: Trainees will receive one or more of the following: Computer Skills Continuous Improvement Skills</i>		130		60		132						

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Specialists, Personnel
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Reps., Direct Sourcing, E-
Commerce Specialist,
Buyers, Warehouse

8	Workers	Direct-Employer, Retrainees	22	180			\$2,340		8	\$ 585.00	\$1,170.00	\$ -	\$ 585.00	*\$11.99- \$44.04
687		<i>Menu: Trainees will receive one or more of the following: Computer Skills Continuous Improvement Skills</i>		180										

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Contract Totals

Program Cost		\$516,160	Total to be Retained	305
Substantial Contribution (___%)	(-)	\$0		
Multiple-Empl. Support (___%)	(+)	\$0		
TOTAL ETP Funding	(=)	\$516,160		

(a)Advanced Technology must be provided as class/lab.

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(d)Wages by occupation on Comment Page.

Turnover Rate	% of Mgrs. & Sups. to be trained		Health Benefits Inc. in Wage?		
4.0%	N/A		YES		

Location of training: All training for Corporate Headquarter trainees will be held on company premises in Fremont during work hours. Training for SET Frontline Workers will be held at company stores located statewide during work hours.

Ratios: The ratio of trainers to trainees for class/lab training shall not exceed 1:20 for retrainees.

* If Health Benefits is "YES", please explain: Health benefits of \$1.14 will be added for trainees in Jobs 1-3 to meet the ETP minimum statewide wage requirement of \$19.24 for SET projects. Additionally, health benefits of \$1.14 per hour will be added to meet the ETP minimum wage of \$11.54 for corporate headquarter and distribution center staff located in Alameda County.

Other notes:

(d) Wages by occupation after retention:

<u>Occupations</u>	<u>Wage Range</u>	<u>Occupations</u>	<u>Wage Range</u>
SET Frontline Asst. Managers	*\$19.46-\$35.25	Events Coordinator	\$20.57-\$22.59
SET Frontline Wardrobe Consultants	*\$19.37-\$26.85	Field Operations Trainer	\$15.32-\$18.04
SET Store Managers	*\$19.47-\$37.35	Frontline District Manager (Corp)	\$29.55-\$38.69
Administrators	*\$11.99-\$38.64	Internet Advertising Specialists	\$27.64 (only)
Admin. Assts.	\$14.60-\$31.14	Lease Administrator	\$17.02 (only)
Benefits Administrators	\$14.66-\$33.67	Merchandise Manager	\$34.94-\$44.04
Buyer	\$21.05-\$38.06	Personnel Administrator	*\$12.06-\$20.36
Customer Service Reps.	\$15.13-\$29.23	Staff Corporate Accountant	\$42.51 (only)
Direct Sourcing	\$18.43 (only)	Video Specialist	\$22.14-\$22.39
E-Commerce Specialists	\$16.90-\$27.08	Visual Merchandisers	\$14.79-\$26.14
Employee Relations Reps.	\$22.54-\$38.94	Warehouse Workers	\$13.36-\$22.72